

BATTLE OF FRANKLIN TRUST, INC.

JUNE 30, 2011 and 2010

Report
of
Examination

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

December 30, 2011

Board of Directors
Battle of Franklin Trust, Inc.
Franklin, Tennessee

We have audited the accompanying statements of financial position of Battle of Franklin Trust, Inc. (a nonprofit corporation) as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Battle of Franklin Trust, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Parsons and Associates

Parsons and Associates

The Battle of Franklin Trust, Inc.
Statement of Financial Position
June 30

ASSETS

	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Cash on hand and in banks	\$ 400,788	\$ 505,810
Receivable	5,088	25,245
Inventory	91,155	72,354
Prepaid insurance	11,413	9,882
Other assets	300	300
<u>Total Current Assets</u>	<u>508,744</u>	<u>613,591</u>
<u>Property and Equipment</u>		
Furniture and fixtures	42,680	10,517
Office and computer equipment	12,748	7,928
Historical restoration	4,783	0
	<u>60,211</u>	<u>18,445</u>
Less accumulated depreciation	(5,289)	(632)
<u>Net Property and Equipment</u>	<u>54,922</u>	<u>17,813</u>
<u>Total Assets</u>	<u>\$ 563,666</u>	<u>\$ 631,404</u>

LIABILITIES

<u>Current Liabilities</u>		
Accounts payable	\$ 11,815	\$ 37,542
Payroll taxes payable	6,694	12,401
Sales tax payable	2,489	2,330
<u>Total Current Liabilities</u>	<u>20,998</u>	<u>52,273</u>

NET ASSETS

<u>Net Assets</u>		
Unrestricted	500,788	579,131
Temporarily restricted - Carter House HVAC	41,880	0
<u>Total Net Assets</u>	<u>542,668</u>	<u>579,131</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 563,666</u>	<u>\$ 631,404</u>

See notes to financial statements.

The Battle of Franklin Trust, Inc.
Statement of Activities
Year Ended June 30

	2011		2010
	Unrestricted	Temporary Restricted	
<u>Revenues and Other Support</u>			
Tour admissions	\$ 684,352	\$	\$ 356,967
Special events	100,055		33,606
Contributions	149,134	41,880	77,836
Contributions - members	0		718,767
Membership dues	56,273		86,047
Ground rental	113,200		69,625
Investment income (net)	5,020		2,760
Museum shop (net)	100,749		84,959
Grants	72,155		41,895
Other	1,038		1,143
<u>Total Revenues and Other Support</u>	<u>1,281,976</u>	<u>41,880</u>	<u>1,473,605</u>
<u>Expenses</u>			
Program services	1,022,367		678,355
Management and general	142,281		92,379
Fundraising	195,671		123,741
<u>Total Expenses</u>	<u>1,360,319</u>		<u>894,475</u>
<u>Change in Net Assets</u>	(78,343)	41,880	579,131
Net Assets - beginning	579,131	0	0
Net Assets - ending	\$ <u>500,788</u>	\$ <u>41,880</u>	\$ <u>579,131</u>

See notes to financial statements.

Battle of Franklin Trust, Inc.
Statement of Cash Flows
Year Ended June 30

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$(36,463)	\$ 579,131
Adjustments to reconcile increase in net assets to net		
cash provided by operating activities: depreciation	4,657	632
Decrease (increase) in receivables	20,157	(25,245)
Decrease (increase) in prepaid expenses	(1,531)	(9,882)
Decrease (increase) in inventory	(18,801)	(72,354)
Decrease (increase) in other assets	0	(300)
Increase (decrease) in account payable	(25,727)	37,542
Increase (decrease) in payroll taxes payable	(5,707)	12,401
Increase (decrease) in sales tax payable	159	2,330
Net cash provided (used) by operating activities	(<u>63,256</u>)	<u>524,255</u>
 Cash flows from investing activities		
Acquisition of fixed assets	(<u>41,766</u>)	(<u>18,445</u>)
Net cash provided (used) by investing activities	(<u>41,766</u>)	(<u>18,445</u>)
 Increase (decrease) in cash	(105,022)	505,810
 Cash - beginning	505,810	0
 Cash - ending	\$ <u>400,788</u>	\$ <u>505,810</u>

See notes to financial statements.

Battle of Franklin Trust, Inc.
Notes to Financial Statement
Year Ended June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Battle of Franklin Trust, Inc. was incorporated in 2009, in accordance with the Tennessee General Corporation Act. Its purpose is to preserve, restore, maintain, and interpret properties, artifacts, documents and other objects and material related to the Battle of Franklin so as to preserve an important part of the regional past, and so that visitors will be able to see and experience a living reminder of their national history.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to imposed stipulations that they be maintained permanently by the Organization. Generally, these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2011 and 2010, the Organization did not have any permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of one year or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market.

Battle of Franklin Trust, Inc.
Notes to Financial Statement
Year Ended June 30, 2011 and 2010

Income Tax Status

Battle of Franklin Trust, Inc. qualifies as a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, therefore, has no provision for federal income taxes. In addition, the Organization has been classified as an organization other than a private foundation under Section 509(a)(2).

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximately fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Battle of Franklin Trust, Inc.
Notes to Financial Statement
Year Ended June 30, 2011 and 2010

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, when purchased, or, if received as in-kind contributions, at fair market value at the date of the donation. Depreciation of assets is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and improvements range from 10 to 40 years and for the remaining equipment a range of 5 to 12 years.

A summary of assets at June 30 is as follows:

	<u>2011</u>	<u>2010</u>
Depreciable assets		
Furniture and fixtures	\$ 42,680	\$ 10,517
Office and computer equipment	12,748	7,928
Historical restorations	4,783	0
	<u>60,211</u>	<u>18,445</u>
Less accumulated depreciation	(5,289)	(632)
	\$ <u>54,922</u>	\$ <u>17,813</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in several financial institutions located in the Middle Tennessee area. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2011 and 2010. At June 30, 2011 the Organization's uninsured cash balances totaled \$-0- and at June 30, 2010 \$21,125.

NOTE 8 - CONTRIBUTIONS FROM OTHER ORGANIZATION

The Organization was provided initial funding for its operations from two separate local non profit organizations. The two organizations are The Carter House Association, Inc. and The Historic Carnton Plantation Association, Inc. An agreement has been reached in the event either organization desires to terminate this relationship with written notice. In the event of termination, the agreed upon allocation of assets will be Historic Carnton Plantation Association 71.59% and The Carter House Association, Inc. 28.41%.

The Battle of Franklin Trust, Inc.
Schedule of Functional Expenses
June 30, 2011

	Program <u>Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 463,318	\$ 61,776	\$ 92,664	\$ 617,758
Special events expenses	7,201		64,807	72,008
Fleming Center	114,034			114,034
Advertising/promotions	60,389		20,130	80,519
Website	10,323			10,323
Utilities	29,532	9,844		39,376
Telephone	17,153	5,718		22,871
Taxes/licenses		2,348		2,348
Payroll taxes	38,559	5,141	7,712	51,412
Dues/subscriptions	2,880			2,880
Hospitality		2,016		2,016
Professional fees		12,676		12,676
Office maintenance		13,628		13,628
House maintenance	10,205			10,205
Insurance	10,162	3,388		13,550
Annual meeting	1,889			1,889
Newsletter	8,062			8,062
Development	7,264		2,421	9,685
Office supplies	21,644	7,215		28,859
Credit card fees	19,291			19,291
Printing		3,041	1,014	4,055
Education expense/supplies	7,257			7,257
Exhibits	4,690			4,690
Tour admissions expense	16,287			16,287
Lecture series	348			348
Group health insurance	34,617	4,616	6,923	46,156
Housekeeping	18,650	6,217		24,867
Mileage	2,753			2,753
Grounds rental expense	16,623			16,623
Other	1,270			1,270
Yard/garden maintenance	11,289			11,289
Garden purchases	980			980
Garden maintenance	42,260			42,260
Collections management	31,911			31,911
Membership expenses	4,521			4,521
Security	6,172			6,172
Seminars/Conferences/Workshops	295			295
Depreciation		4,657		4,657
Reference Library	538			538
<u>Total</u>	\$ <u>1,022,367</u>	\$ <u>142,281</u>	\$ <u>195,671</u>	\$ <u>1,360,319</u>

See notes to financial statements.